

Organizations Capable of Delivering Value

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A core challenge for strategic management is to edify organizations capable of creating and delivering value over a sustained period of time. Of course, this is extremely difficult. The quest is for making intelligent strategic decisions. Some decisions may not create value, while value in any case may not accrue until sometime in the future.

One thing is clear, and it is that value creation involves more than the generation of sustainable competitive advantage. While creation of a competitive advantage is a necessary condition for creating value, it is not a sufficient condition.

A competitive advantage is an attribute possessed by a company but not by its competitors. Nonetheless, companies could have an advantage that does not translate into superior financial performance. The goal of strategic leaders is to be able to both manage for today and manage for tomorrow, meaning working at the same time with what is conventional and what is not.

Managing for today involves fine-tuning current operations, introducing changes with strategy being or staying reasonably fixed or predictable. The focus is on coping and managing complexities, but though sometimes using a language of change and transformation, the reality is that the process is more incremental and evolutionary in nature.

Managing for tomorrow requires different skills. To have the foresight and knowledge to imagine how the organization will look in the future requires profound research and simulations of what the company and its market is likely to look like. To move toward realizing such future scenario demands not only good leadership skills but also serious understanding of what

capabilities will be required and specific planning to acquire or develop them (inorganic or organic growth).

This challenge will require that leaders loosen up thinking throughout the organization. Managers and employees must be open to different perspectives, willing to listen, keeping information systems open to external as well as internal inputs. Senior managers should not become overdependent on formal systems or their immediate staff. Useful insights may come from suppliers, customers, research teams and technical organizations. Leaders should seek leading indicators of change along all dimensions of the technological, socio-demographic, economical and psychological, among others. The key is not so much to identify trends but to spot turning points of inflection in the growth curve.

THE ORGANIZATION THAT IS CONTINUALLY SURPRISED BY CHANGE IS UNLIKELY TO DEAL WITH IT WELL.

Given an uncertain future a strategy cannot be set in concrete. It must progress as the reality progresses. At the same time, it needs to create a sense of common ground and direction...

Strategy making is an ongoing process, not something that is done periodically on a right planning cycle! The organization has to continually research its immediate and distance environment, develop new ideas, generate a progression of initiatives over time (re-cycling responses is dangerous!). CHANGES IN STRATEGY SHOULD BE DRIVEN BY CHANGES IN CIRCUMSTANCES, NOT THE PASSAGE OF TIME. Postponing this urgent task is also dangerous...

The reality of today and the reality of tomorrow can be link by recognizing that long-term sustainability of success depends on two factors: (1) The sustainability of a competitive

advantage in a given environment, market or industry. (2) The rate at which new industry sectors emerge and the ability of the organization to modify its scope and capabilities to compete in these new sectors or realities.

There are not crystal balls to allow organizations see farther than anyone into the future of global competitiveness. But serious research can assist organizations to realize that though there are many models of success and no silver bullets there are some intelligent strategies. (1) Select strategy on unique capabilities and not necessarily on what the industry is doing. (2) It is not industry or sector what is important; it is the company's capabilities. There are not sunset industries. (3) Cheap labor is not necessarily a winning strategy. (4) Don't build a competitor by not researching or strategizing future passages. (5) Study the China and India experience. (6) Acknowledge that there are not birthrights or their equivalents. THE FRONTIERS OF KNOWLEDGE ARE CONTESTED TERRITORIES AT BEST TRY COLLABORATION.

In a relatively free market, with no institutional barriers, any competitive advantage will be quickly learned by competitors. Other organizations will copy or enhance the initial competitive advantage. Unless the organization continues to enhance its advantage and develop new ones, its competitiveness inevitably deteriorates.

STRATEGIC MANAGEMENT INVOLVES AN ONGOING KNOWLEDGE CREATION PROCESS THAT TRANSLATES INTO NEW PRODUCTS, SERVICES, PROCESSES OR TECHNOLOGIES FOR IMPACTING CUSTOMERS AND MARKETS.

Strategic research has to ensure the invention and development of offerings that will create value in an uncertain future, as well as the creation of value through present offerings. If no value is created in the short run, the organization will lose the support of both customers and stakeholders. If there is only a short-term focus the future cannot begin for the organization.

Warning! In strategy all of the attributes of the organization are candidates for change! In the long-term nothing is strictly fixed.

Strategic intelligence must create an organizational architecture that encourages constant reinvention alongside current maintenance of the operation.

As it is typical to ask any leader these days of what he/she is seriously reading, it should be common to ask the organization what is currently innovating.

In a world where capital, knowledge and organizations move so freely, there is no alternative but to work hard to create value. But there is always a creative tension between creating organizational value and assuring shareholders short-term returns. The common ground for overcoming such a dilemma is ensuring that the company creates economic profit for benefiting all stakeholders, including shareholders, over the longer term.

The only way to create real value is through innovation. Again, continuous improvement of the operations is more than necessary.

All organizations need to explore the new, which requires creativity different voices within their internal reality and display an institutional willingness to engage in research and experimentation.

Organizations need to constructively resist the distressing tendency to assume that short term profit maximization is the only or best route to creating value. LOCAL OPTIMIZATION DOES NOT GUARANTEE GLOBAL OPTIMIZATION. To the contrary, knowing that a competitor is focusing on short-term results can always be turned to advantage by a well-financed competitor.

In order to survive in these new competitive realities lifetime learning and innovation is the way...